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STATE PASS TO USTR FOR JYOUNG, CPADILLA, AMALITO

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SUBJECT: COSTA RICAN REACTION TO CAFTA-DR APPROVAL IN THE U.S. CONGRESS

REF: (A) SAN JOSE 01587

(B) SAN JOSE 01636
(C)SAN JOSE 01693
(D) SAN JOSE 01455

1. (U) Summary. After passage of the CAFTA-DR implementing legislation in the late evening hours (in Costa Rica) by the U.S. House of Representatives, GOCR officials, private business persons, and labor leaders offered their reactions. Local media coverage of the ratification process in the U.S. has been intense, and the approval in the U.S. made front-page headlines in almost all of the major national daily newspapers. At this time, it appears that approval in the U.S. did not change the overall opinions of these Costa Ricans, but it has brought increased focus on CAFTA-DR and a sense of urgency to some regarding the need to start formal discussions of this issue in the Legislative Assembly. End Summary.

2. (U) Local media have been following the U.S. House of Representatives' vote closely. As an example of the high profile of this event, the vote was carried live on CNN en espanol on cable systems. Daily newspapers, "La Nacion," "La Republica," and "La Prensa Libre" made the CAFTA-DR issue front-page news, and interviews of key CAFTA-DR personalities filled the airwaves offering their reactions to the approval in the U.S. Congress.

3. (U) Minister of Foreign Trade (COMEX) Manuel Gonazalez was quoted as stating that "the approval of CAFTA yesterday fills us with optimism. However, Costa Rica will continue its process of analysis on its own timetable." These statements are consistent with his and President Pacheco's previous lukewarm and conflicting comments about the ratification process in Costa Rica (Refs A and B). COMEX is the governmental organization that negotiated CAFTA-DR and is responsible for production and implementation of the complementary agenda for CAFTA-DR (Ref C).

4. (U) Oscar Arias, former president of Costa Rica and front runner in the next presidential election, stated that he is very happy with the vote in the U.S. and that "it is an opportunity to boost development, to increase investment that will create employment opportunities.". He goes on to state that he hopes that the current administration will decide to send CAFTA-DR to the Legislative Assembly. He added that to not do so would have a negative effect on the country.

5. (U) Gerardo Gonzalez, President of the 57-member Legislative Assembly, told the press that he would like the President to send CAFTA-DR to the Assembly as soon as possible to allow discussions to begin on this important issue. He stated that "the country is falling behind . and it is urgent that we start discussion [of CAFTA-DR] in the Assembly." He added that he is against the President's condition of requiring approval of the Fiscal Reform (tax increase) bill prior to sending CAFTA-DR to the Assembly for ratification (Ref D). Gonzalez is opposed to the Fiscal Reform bill in its current form because special tax treatment that some Assembly members have proposed in over 1000 amendments to the bill.

6. (U) Those opposed to CAFTA-DR tried to minimize the approval vote of the U.S. Congress. Albino Vargas, President of the approximately 15,000-member National Association of Private and Public Employees (ANEP), continued to voice his opposition to the agreement and stated that approval in the U.S. did not change his or the organization's stance on CAFTA-DR, and that it has nothing to do with ANEP's labor agenda. He stated that "independently of what the U.S. decides, the struggle of those in Costa Rica who oppose CAFTA-DR continues

unaltered. There is a large part of the citizenry that will take to the streets when CAFTA-DR is sent to the Assembly."

17. (U) In a discussion with Poloff, Rodrigo Aguilar, president of the 90,000-member labor union federation Rerum Novarum, expressed his disappointment that CAFTA-DR was passed by the House of Representatives, but holds out hope that Pacheco's Commission of Eminent Persons will return a negative recommendation (Ref B). He acknowledged that Pacheco will come under increasing pressure from commercial interests to present the treaty but believes Pacheco will wait for the Commission's report, which will be available no sooner than September 17, 2005. Aguilar reconfirmed his labor organization's determination to participate, if not organize, anti-CAFTA-DR demonstrations upon its presentation to the Legislative Assembly. When asked whether he had considered possible uses for labor enforcement funds attached by the U.S. Senate, he admitted he had not thought of this, but agreed it could have positive impact.

18. (U) In "Al Dia," Epsy Campbell, head of the left-leaning Citizens' Action Party (PAC) Assembly members, expressed that "we will do everything possible to ensure that [CAFTA-DR] is not approved in Costa Rica." She believes that the country deserves something better and acknowledges that increased pressure will come to pass CAFTA-DR, not only from the U.S., but also from the local business sector.

19. (U) Many local business representatives see the approval in the U.S. as a very positive sign, and acknowledge that there is now a sense of urgency in the ratification process in Costa Rica. Miguel Schyfter, owner of a clothing manufacturing company, stated that "we must hasten the [ratification] process because there are thousands of textile workers who will see their jobs move to other Central American countries if investment conditions are not clarified [via implementation of CAFTA-DR] in Costa Rica." Bart De Lange, an exporter of ornamental plants, stated that "investment in Costa Rican business is paralyzed because of the delay with the ratification process of CAFTA-DR. Ratification in the U.S. puts us up against the clock." Other business representatives said that every day that passes without CAFTA-DR in effect is a lost opportunity to take advantage of the benefits of the trade agreement.

110. (U) Luis Guillermo Solis, a noted political analyst, stated that "the approval of CAFTA-DR in the U.S. has increased the pressure to start the discussions in Costa Rica. However, the current political setting for this discussion is not the best. It would be irresponsible to discuss this issue in the middle of an electoral campaign." He implies that, since the entire Assembly and Administration will change, this issue should be left to the next Legislative Assembly and Administration which will take office in May 2006.

COMMENT

11. (SBU) The process of passage of the implementing legislation by the U.S. House of Representatives has not yet had a noticeable effect on the GOCR. President Pacheco has painted himself into a corner by publicly and repeatedly stating that he will not send CAFTA-DR to the Assembly until (1) the Commission of Eminent Persons delivers its report to the President; and (2) the Assembly passes the Fiscal Reform bill. The former task will not be completed, at the earliest, until mid-September, and it is doubtful that the latter task will ever be completed in his administration. The one thing that is certain is that President Pacheco's administration will have to live with more pressure from those favoring CAFTA-DR and those against.

KAPLAN